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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Economic Situation in South Vietnam (Biweekly)

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

The labor dispute that provoked the recent 24-hour general strike in Saigon illustrates the wide disparity between government and private sector salaries. The strike also demonstrated that there is a significant and fairly cohesive part of the Saigon population whose support apparently can be commanded by the Vietnamese Confederation of Labor, which to date has chosen to support the government.

Viet Cong plans to introduce their own currency in delta areas under their control apparently were postponed by the movement of allied troops into Cambodia.

During the week ending 22 June retail prices in Saigon increased for the fourth successive week to a level about 25 percent above the average price level for December 1969. Black market currency prices rose during the two weeks ending 22 June, while the price of gold leaf continued to fluctuate.

ANNEX: Monthly and Weekly Currency and Gold Prices
(Graph)

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General Strike

1. The 24-hour general strike by more than 15,000 Saigon workers on 15 June caused little disruption of normal activities, but it points up some current and possible future problems facing the government. The issue that provoked the strike is the apparently considerable difference in wage levels between private sector and government employees. The general strike was called in support of about 200 workers at the Thu Duc warehouse of the government's Central Logistics Agency (CLA). These workers have been on strike since 28 May protesting the government's decision to economize by terminating contractor operation of the warehouse and hiring the workers directly as civil servants. Civil service salaries are lower than the wages the workers currently are receiving--in some cases by as much as several thousand piasters per month. Moreover, since the July 1969 pay increase for government employees, the cost of living has risen more than 40 percent. Because the CLA is an autonomous agency which reports directly to the Prime Minister, its employees could be given a wage increase without granting an increase to all civil servants. The Prime Minister's office, however, has rejected this course of action as well as the suggestion to continue the contracting system. The government does not want to set a precedent for other installations where similar changes in employment practices may occur nor does it want to anger other CLA employees who are being paid civil service wages.

2. The Vietnamese Confederation of Labor (CVT), South Vietnam's largest organization of trade unions, again has demonstrated that it can mobilize large numbers of workers in support of union demands. The strike reportedly had no connection with other protest movements currently being carried on by students, disabled veterans, and Buddhists. Without the sanction of CVT president Tran Quoc Buu and some influential CVT unions, the Saigon - Gia Dinh CVT council called another general strike on 25 June. Without full CVT support, however, the strike reportedly has been much less successful and is not

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expected to continue for long. [REDACTED]

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[REDACTED] Buu has been a fairly consistent supporter of the Thieu government, and CVT activities have been confined to legitimate labor-management issues. While the students and Buddhists apparently are planning to broaden their protests to include economic issues, there is no indication that the CVT plans to add its powerful voice, for which the government must be grateful. Nevertheless, as inflation worsens the CVT undoubtedly will become involved in more wage disputes, which could place the organization in opposition to the government no matter how apolitical its intent.

Viet Cong Postpone Plans to Issue Their Own Currency

3. The Viet Cong have been forced to postpone plans to issue a currency of their own in the delta area. [REDACTED]

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[REDACTED] the VC planned to introduce their own currency to replace Government of Vietnam (GVN) piasters in VC-held delta areas in June 1970, but the movement of allied forces into Cambodia forced postponement of this plan. In February 1970 bags containing the new VC currency reportedly were discovered by allied troops in Kien Phong Province following the explosion of a sampan. The VC currency, reportedly printed in Czechoslovakia, originally was to have been introduced in 1968 had large areas of the country come under VC control after the Tet offensive.

4. Although the introduction of the new currency was to be limited to the delta area initially, acceptance of the VC currency there was to be followed by its introduction in other areas of South Vietnam. [REDACTED] the VC planned to establish banks at entrance points to VC-held areas, where GVN piasters could be exchanged for the new currency at the rate of five GVN piasters for one new VC piaster.

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5. Although the plan to introduce VC currency is in abeyance, there may very well be another attempt made to implement it. The VC apparently hoped to enhance the prestige of the Provisional Revolutionary Government (PRG) by providing it with a monetary and banking system of its own and to capitalize on the continuing loss in value of the GVN piaster. Recently captured COSVN documents indicate that several PRG ministries have been set up, including a ministry of finance and economy.

Prices

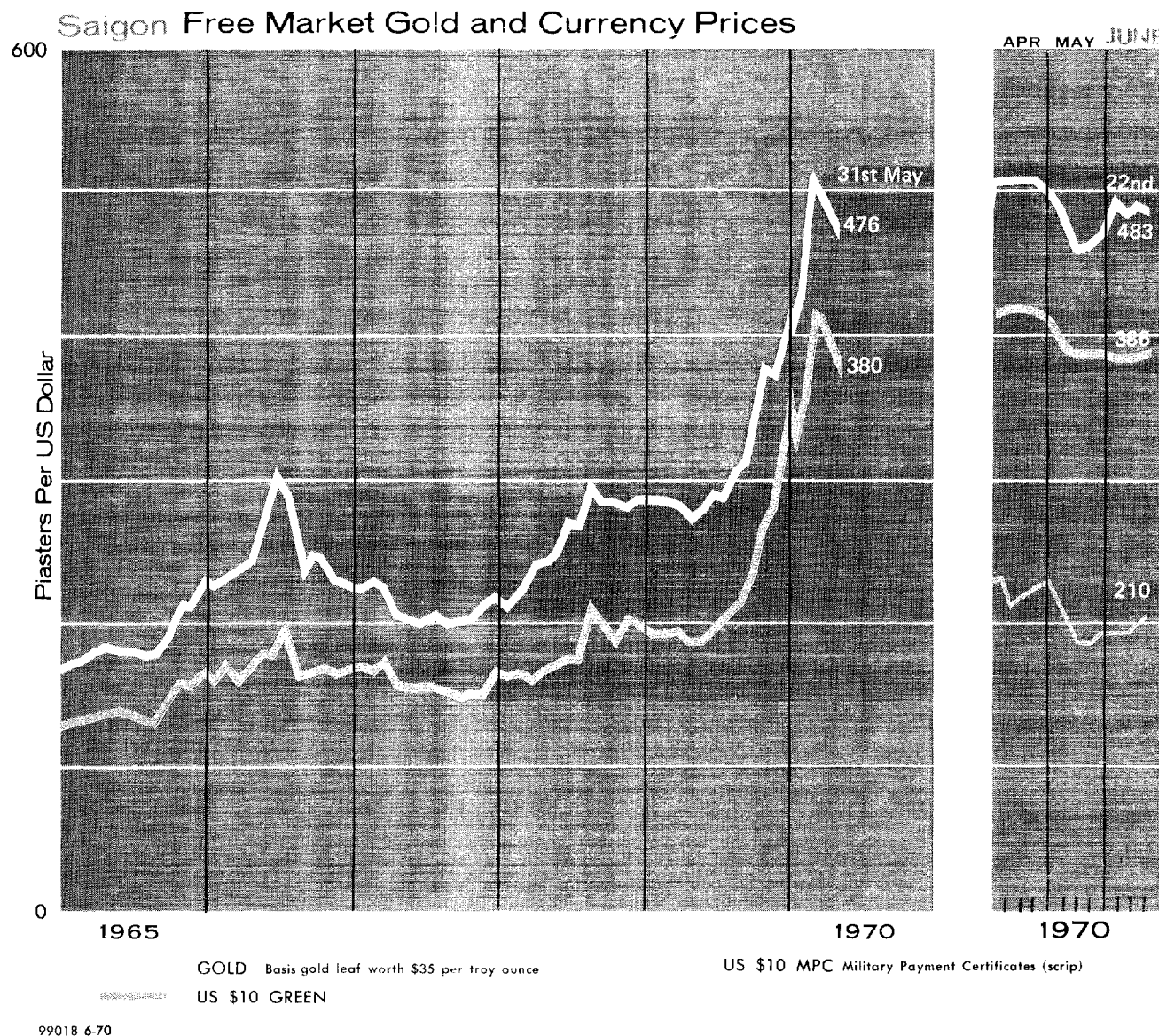
6. During the week ending 22 June the USAID retail price index for Saigon rose for the fourth consecutive week. As of 22 June prices were seven percent above the level of December 1969. During the first five months of 1970 the general retail price index rose 18 percent and the price index for imported commodities rose 14 percent, while the money supply increased only five percent. In the absence of any significant supply problems, speculation continues to be the major factor responsible for rising prices. On 18 June President Thieu promulgated the law passed by the National Assembly to replace the October 1969 austerity tax decree, but the legislature still is debating the government's request for power to make economic policy decisions by decree for a period of five months. According to embassy officials, a decision is not likely to be reached for several weeks, so speculative activity undoubtedly will continue.

Currency and Gold

7. After several weeks of relative stability black market dollar and MPC (scrip) prices in Saigon increased during the two weeks ending 22 June. The price of dollars increased eight piasters to 386 piasters per dollar, and the rate for MPC rose 15 piasters to 210 piasters per dollar. The price of a dollar's worth of gold leaf continued to fluctuate, closing at 483 piasters, up four piasters from the price on 9 June. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

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